THE SILVER PROBLEM.

I.—A WORD TO WAGE-EARNERS.

BY ANDREW CARNEGIE.

MUCH has happened since I tried, two years ago, in the REVIEW to explain "Money" in a way so simple that the farmers, wage-earners, and working people generally could clearly understand it. But nothing has happened which those who understand money and its laws did not expect. Indeed, those who understand these best have rather been surprised that the results of well-known laws did not sooner produce the present effects.

I again address myself to the toiling masses of the people, the farmers, mechanics, tradesmen, and all who receive stated salaries or earn daily wages, and shall try to tell them,

First: What has happened. Second: Why it happened. And, third: The Remedy.

First, then, what has happened. Let me take you back some years. The country never was so prosperous as during the decade between 1880 and 1890. Labor was never so fully employed, wages so high, or the necessaries of life so cheap; the masses never earned and saved so much; never was the proportion of the combined earnings of capital and labor given to and received by labor so large, and the proportion left to capital so small. Never was the foreign commerce of the country nor its infinitely more important home commerce so great. It is probable that our successors in many future decades are to look back to the past decade as the golden age of the Republic, as far as material prosperity is concerned.

What a contrast to this picture the position of our country presents to-day. It is doubtful if a more disastrous financial cyclone ever blasted a country to such an extent in so short a time. We look now upon the mines, not only of silver, which employ comparatively few men, but upon the much vaster iron mines almost completely stopped and the coal mines greatly restricted in product. We see the woollen and cotton mills stop in New England ; the blast furnaces closed throughout the South ; banks and business firms failing to an extent before unknown, and hundreds of thousands of workmen idle, when before every one was employed. And while a few thousands engaged in business suffer, the sufferers among the wage-earning classes are already numbered by hundreds of thousands. The country has fallen from the apex of prosperity to the depths of industrial depression. Adversity has taken the place of prosperity; stagnation in business has succeeded activity; confidence has given place to distrust ; and, as is always the case when business is disturbed, the chief part of the loss or suffering is falling, and must fall, upon the workingmen —upon the poor millions and not upon the rich few. The millionaire will cease to make money for a time, or perhaps lose some which he can well afford to spare. The business man, as a rule, will certainly lose part of his capital, but few in these classes will be beggared. Upon the millions of poor people alone will come deprivation, restricted comforts, poorer food and clothing ; and upon many absolute want.

Such a disaster has come upon the country as has compelled the President to call in hot haste an extraordinary session of Congress in these startling words :

"*Whereas*, The distrust and apprehension concerning the financial situation, which pervade all business circles, have already caused great loss and damage to our people, and threaten to cripple our merchants, stop the wheels of manufactures, bring distress and privation to our farmers, and withhold from our workingmen the wage of labor; and

"*Whereas*, The present perilous condition is largely the result of a financial policy which the executive branch of the Government finds embodied in unwise laws, which must be executed until repealed by Congress."

This, then, is what has happened, and answers the first part of the subject.

We now proceed to the second part, and inquire why it has happened.

In "The A B C of Money" I made a statement to which I venture now to call your attention. I said:

> "In the next Presidential campaign, if I have to vote for a man in favor of silver and protection, or for a man in favor of the gold standard and a reduced tariff, I shall work and vote for the latter, because my judgment tells me that even the present tariff is not half so important for the good of the country as the maintenance of the highest standard for the money of the people."

The cloud then seen in the sky was not bigger than a man's hand, and some of my party associates did not approve of my regarding the tariff issue as relatively unimportant compared with the money question.

But I am disposed to think that recent events may have caused them to modify their opinion. I mention this not to show you that I was a prophet, for it requires no prophet to predict what was known to be certain to come, and financial men generally saw the cloud as clearly as I. It is referred to in the hope that you may be induced to hear me more patiently now, since I was right then.

Few working people know why this panic was certain to come upon us, and it is sad to say that if you had known what "Money" is, and the laws which govern it, the country would have remained as prosperous as it was during the previous decade, because you would have spoken to your Congressional representatives in a way that would have prevented them from taking the action which has plunged us all into such distress.

The reason why disaster has come is this. Up to the year 1878 gold was our only metallic currency, silver was used only for small change, and was legal tender in sums not exceeding five dollars. In 1878, however, a bill was passed requiring the Government to buy not less than two millions of dollars worth per month of silver, and to coin it into money, thus adding to our gold currency currency in silver, from which before we were entirely free.

"This, the dire spring of all our woes."

The Government has ever since been trying, and trying in vain, to give a value to silver which it does not possess. It has gone exactly contrary to all the other leading governments of the world. Keen observers of affairs everywhere saw that silver was being produced in larger quantities and more cheaply than ever, owing to the discovery of new mines and to im-

proved methods of mining and refining; and, therefore, that it was falling, and bound to fall in value. One government after another stopped buying and coining silver to use for money. It is nearly fifteen years since all European governments have ceased to coin silver. Our Government alone (Mexico excepted) has persisted in buying millions of dollars' worth of silver every month, and for the last two years it has bought more silver than all the mines of the country have produced; and has issued notes for this silver which it has so far redeemed in gold. When the United States began to buy and coin silver there was not a mint in Europe which was not closed against it. Every student of finance knew that if it continued to buy silver the time must come when it would be impossible for the Government to redeem all its notes in gold, because the country was losing its gold rapidly and adding every month to its notes. It was only a question of time, therefore, when the most far-seeing and prudent among financial and business men, both at home and abroad, would begin to take measures to secure themselves against the possible failure of the Government to pay its notes in gold, for if these ever were paid in silver only, this would mean a loss of probably one-half of all their funds, so a few investors at home first began to make all contracts in gold and to exchange the bonds they had bought, which were payable in lawful money, for bonds that were expressly payable in gold. People abroad who had invested their money in our country did the same, while others decided that it was safest to withdraw all their money from our country, and so the whole world looked on in surprise, and foreign governments with joy, at the attempt of our Government to bolster up silver, and quietly began to drain our country of its gold, leaving us the silver, of which we seemed so fond. We might accept silver if we chose, but gold was the only metal for them. Since our silver legislation of 1878 began to operate, as it was bound sooner or later to operate, we have exported in five years and five months, from 1888 to 1893, three hundred and twenty-eight millions of dollars in gold, and received only one hundred and fifteen millions. And you have to note that gold has been taken from us faster and faster as we added to our stock of silver; thus, in 1890, we lost only twenty-four millions; in 1891, seventy-nine millions: in 1892, seventy-six millions; and in five months of this year no less than sixty-three millions have been taken from us.

Besides this, before we unnecessarily left the exclusive gold currency we had in 1878, and plunged into buying and coining silver, and thus poisoning our hitherto pure metallic currency, we always gained and added more and more gold to our circulation, for the United States produces more than one-third of the gold of the world, and coined in six years, ending in 1878, no less than 254 millions of dollars in gold. Since we so unwisely introduced silver into our currency as money, the people and governments of Europe, who have kindly relieved us of our pure unchanging healthful gold, have also kindly allowed us to substitute for it 354 millions of dollars of blood-poisoning silver.

It may be well just here to look for a moment at the financial result of our Government's brilliant speculation in silver. The advocates of silver purchases insisted that if the Government would only purchase more silver than all the mines in the country produced, that the price of silver would rise. Now, so far from doing so, it has constantly fallen. Some of the silver bought by the Government some years ago cost 1.20 per ounce; this month's purchases were worth only seventy cents. Taking all the silver bought by the Government, at the market price to-day, the nation has lost more than one hundred and twenty millions of dollars. If the Government were to sell its silver it would lose much more. All this money has been drawn from the people to be lost in unwise speculation in a metal which all other civilized governments had been wise enough to discard. Nor was there ever the slightest reason for the Government to abandon the gold currency and adopt that of silver, for the gold currency was meeting every want and keeping the nation free from all danger of financial distrust; and especially was it placing upon other nations the risks and losses already seen to be impending from the fall in silver value.

It is, no doubt, pretty bad management to lose one hundred and twenty millions of dollars of the people's hard-won earnings. But this amount is trifling compared with the manifold greater loss that is falling, and must now fall, upon the people by the disturbance of business which has come upon the country through the introduction of silver into the currency.

The task undertaken by our Government is, as you see, to pay gold for all notes issued for silver, these notes increasing, say, four

millions per month, and our stock of gold decreasing this year at the rate of twelve millions per month. Now, any man can see that this could not go on very long. Doubts began to arise years ago, but when a new administration came into power last March of course the financial world was more anxious than ever to know just what its policy was to be, and gold, we have seen, began to be taken from us more rapidly than ever. The gold stock of the Government fell lower and lower, and at last the hundred millions of gold hitherto held in reserve was infringed upon, and a panic threatened. President Cleveland found it necessary to make a statement, which was of a highly reassuring character. But strong as President Cleveland is upon "honest money for the people," and highly as he is to be commended for his unfaltering position upon this vital question, still the shrewd financial men of the world doubted his ability to control his own party upon the money question, and so distrust continued to spread, and the entire business of the country, simply for this reason, and for no other, was shaken.

The excitement was already great when a wholly unlooked-for act of Great Britain intensified the panic. This was the closing of the mints of India to the free coinage of silver as money. From time immemorial the 280 millions of people in India have had the privilege of going to the mint and getting their silver ornaments exchanged for, or coined into, "money;" this was "free coinage"—and because of this they have always purchased silver bars with their savings, and, having no banks or any secure place of deposit in their huts, it has been their practice to go to silversmiths and have their silver fashioned into ornaments and securely welded on the legs, necks or arms of the women and children. In times of adversity, or whenever money was needed, these ornaments furnished the supply. Now this is all changed in a night. Their uncoined silver, yesterday good as "money," is to-day only worth the market value of silver as a metal; in other words, more than one-third of the value of the principal savings of the people has been swept away. What caused Britain to plunge into this drastic policy, and thus surprise India and the world, you will naturally wish to know. The reason was this: Silver had fallen till the money of India, which is all silver, had depreciated more than one-third. India owes Britain enormous sums, and has to pay so much every year to her

that the Indian Government and railways and other corporations could not meet the loss they had to incur in remitting gold. Besides this, the British army in India, about sixty thousand strong, and all the civil servants, were demanding to be paid in gold, as their families had to be maintained in Britain; the fall of silver had robbed them of more than one-third of their wages and salaries. The manufacturers of cotton and jute in India were taking the trade of Britain because they paid wages in India in silver, and wages had not risen, although paid in depreciated silver. I found in Mexico the year before last that it was just the same; the wages had not risen at all, although now paid in silver not worth more than seventy cents per dollar, facts which workingmen, and all receiving wages and salaries, should ponder. A further fall in silver was apprehended by Britain, because it began to suspect that the United States could not be imposed upon much longer, and would soon cease the experiment of trying to keep up the price of silver by monthly purchases, and hence Britain took the bold step of cutting loose from silver in India altogether, as it always had stood aloof from it at home. It fixed the gold value of the silver rupees, already coined in India, at sixteen pence, instead of the original value of twenty-four pence. This was the market value of the amount of silver in a rupee when the decision to fix a gold value was taken. But to show you how uncertain the metal silver has become, please note that within a few hours after this value was published by the Indian Government, silver dropped twenty-three per cent. below it. It was then worth only thirteen pence per rupee, making the silver in our dollar worth just fifty-two cents. This is the lowest value which silver has yet reached.

Another source of serious anxiety about the silver problem is the coming termination next year of the Latin Union, the members of which agreed to coin silver and receive it from each other upon the basis of fifteen and one-half ounces to one ounce of gold. France, Spain, Italy, Belgium, Switzerland and Greece comprise this union, and are bound to settle upon the gold basis for all their silver coinage which has found its way into any of these countries. It is estimated that Italy and Spain will have to pay France about thirty millions of dollars each, and Belgium about fifteen millions of silver coins at about double their value, involving a loss

of fifteen millions and seven and a half millions, respectively. How this is to be met by Spain and Italy is not clear, and what the future action of these nations about silver is to be is just as dark.

For all these and other reasons, the civilized world has abandoned silver, and, seeing the United States still buying it, and issuing therefor every month notes transferable into gold, it knows that the Republic can not long maintain the parity of its gold and silver currency, and hence it stands waiting for the final catastrophe, meanwhile refusing to invest in the United States, or to buy American bonds or shares abroad. Since Britain forced India to close its mints to silver there remains no mint in the world now but that of Mexico which coins silver as money, and no nation which is compelled to buy the metal and let it lie uncoined except the United States.

I explained to you two years ago that business in our day and in our country is not conducted by an exchange of currency notes, or even of gold and silver. These are used only for small petty purposes, as mere "small change." Not more than one-twentieth part of the business transacted requires these. All large transactions, which alone may be called "business," are made upon credit. Even when settlement is made the very day the exchange is made of the article sold or bought, it is still effected by a small bit of paper, which the seller is glad to take, because he can place it in a bank and get credit for it. He does not need to get it cashed in gold or silver, because for what he desires to buy he finds people willing to take a similar bit of paper from him. But, in addition to this, here comes in a vital point—most business transactions are not payable at once, the vast bulk are made upon "time." One sells, for instance, a thousand tons of pig iron and takes the note of the purchaser, payable four months hence. Another buys a hundred thousand tons of iron stone and gives the seller his note, payable four months hence. Now, the seller must know in what kind of money he will be paid and the purchaser what kind of money he is to pay four months hence. Will it be in gold, worth a hundred cents on the dollar anywhere in the world, which he can, therefore, use anywhere, or will it be in silver, worth only fifty-two cents per dollar? The Government of the United States in the Sherman Act declared that its policy is to keep all notes payable in gold or silver, as the presenter desires; but the

question with the financial man is, how the Government is to pay in gold all the notes it has issued, and is still issuing, when it is losing its gold so fast, and every month increasing its notes? The Government has to-day less than one hundred millions of dollars in gold, and is already pledged to pay in gold notes to the amount of more than eight hundred and fifty millions of dollars. The financial man everywhere knows this, and sees that if one man in eight asks for gold the Government stock will be exhausted. Is it any wonder that sensible men have lost confidence in the ability of the Government to maintain its declared policy; and, whenever confidence is lost, the vast structure of business built upon credit, which, as you have seen, embraces ninety-five per cent. of all business, falls to the ground and lies prostrate, as at present. A convincing proof of this loss of confidence is seen to-day in the money markets of Europe. In London and Paris, Berlin and Vienna, gold money can be borrowed at two per cent. The notes of business firms given to other firms at three and four months for purchases are being discounted at two and a half per cent. per annum. Similar bills in New York have been offered at twelve per cent. per annum, and even at twenty and not taken. Now, if the capitalist of Europe were only sure that the United States could, and would, keep its currency upon the gold basis, as it has promised, millions of idle money from many parts of the world would be sent to New York. It would be transferred in a few minutes by cable, and the agents of foreign houses in New York would purchase and discount these bills of good business houses, and thus relieve the pressure. It is not foreign capital only which is frightened, it is just the same with home capital. You have heard that capital is timid, but only those who have to do with it can realize how very timid it is. A deer does not scent danger half so keenly. At the very first alarm it runs like a rabbit into its hiding hole, and remains until all is quiet again. Some orators abuse capital of cowardice, but let every workman ask himself how very cautious he is, or should be, about his own small fund, and if we knew the doings of these very orators, we should likely find if they owned a mortgage that they had quietly seen that it is payable in gold. It is human nature to take care of savings, and capital all over the world is very human, and we have to deal with capital as with human nature, just as it is. It would

be a bad day for the world if men became careless of their savings. Until all doubt is removed as to the determination of the American people to maintain its currency upon the highest standard which other leading nations have adopted, there can be no relief, either from home or foreign capital, and yet there is no reason in the world why the United States should not be as prosperous to-day as it was until recently, except one. Owing to the enormous and constantly increasing amount of depreciated silver in the Treasury confidence has been shaken in the ability of the Government to pay its currency in gold, as it has promised.

You hear now and then from men who, however, are inexperienced in business matters, that our trouble arises from scarcity of "money," and that what we need is more money in the country; but I do not think there is one man of financial experience in the whole world who will not tell you that this is not so. If more "money," meaning thereby more "currency," would have prevented this panic, it could never have happened, because the Government has gone on month after month for years adding more money to the currency. We have now more circulating medium per head than any civilized country except France, and France needs more than any other nation because its people do not use banks and credit. Money, as you know, is simply the article which we use for exchanging other articles, and it is only used for the petty transactions. When a man tells you that to issue more money would increase the prosperity of the people, it is as if he told you that the larger the game bag you carry the more game you will certainly get; that the more food you eat after your appetite is fully satisfied, the stronger you will become; that the more surplus flesh you can put upon your bones, the better it will be for you. He wants you to believe that if you put your wheat in bigger bins there would be more of it; that a gallon measure can be made to hold more than a gallon. If the Government were to make 500 millions of dollars more money to-day, it would lie useless either in the Treasury or in the banks, because it would not be needed for the only purpose for which money is needed, namely, to effect exchange of articles. And this would be the case even if gold lay in the Government vaults equal to the notes printed. The national system cannot absorb more money than it can use, any more than your system can absorb more than a certain amount of food; and

if the Government keeps on issuing notes for silver month after month the depression in every department of business will deepen and widen just as the Government does so. The panic that has come upon us is the best proof of this. It is the monthly issue of more "money" ("silver notes") that is its chief cause; and note this carefully that, although more money has been "issued," there is already less in circulation than in June of last year by more than seventeen millions of dollars. It is one thing to issue "money," but quite another thing to get the business world to take it and keep it in circulation. This it is not within the power of governments to do. Whenever confidence is shaken, the more money the government puts forth, the greater is the trouble caused. The United States just now, as to its currency, is like a man too fat and full of blood, that is, he is in great danger of apoplexy. What would you think of a doctor who should tell you that the patient needed more blood in his system, when the trouble is he cannot keep in active circulation the blood which he has now. Just so with our country. There is no active circulation of money through the veins of the nation. The financial blood is stagnant. The superabundant "currency" lies almost inactive, and it already requires a premium to induce it to come forth from its vaults and circulate.

We return to the sole cause of the panic, which is that people cannot see how 850 millions of notes can be paid with less than 100 millions of gold, especially when the notes are rapidly increasing and the gold rapidly decreasing; and they begin to doubt not only the ability but the sincere desire of the United States to pay all its notes in gold, as promised. The answer to why it happened is, therefore, Confidence in our money has gone —confidence, upon which all business rests.

We come now to the third and last part—the Remedy. Knowing the cause of the disease we see for what we have to seek—the restoration of confidence. What has destroyed this we also know. It was leaving the gold currency which we had up to 1878, and needlessly entangling ourselves by introducing silver after other nations had discarded it, not because they wished to do so, but because the metal had lost steady value, and was, therefore, no longer suitable for use as money.

Now, suppose your wife and children had been upset more than once by the new and more stylish horse for which you had

exchanged the old nag and given a bonus to boot, and they could not be induced to enter the wagon again. What would you do? Would you buy another unknown horse and endeavor with it to overcome their fears and restore lost confidence? No. You would go to the neighbor with whom you foolishly traded the steady-going nag, old "Gold Dust," and trade back the new, prancing and shying "Silver Maid," and pay him a bigger bonus than you did before, and resolve never to be so foolish again. One fine morning you hitch up the old boy—old "Gold Dust," who would neither shy nor run, even if he met elephants—and you drive up to the door unseen and announce that all who wish can jump into the wagon and go with you to the circus. How many are left behind? Not one; and many a happy drive you have again, and thousands would not induce you to part with the old nag. Confidence is restored. Now, our national banking system up to 1878 was our old nag, "Gold Dust"—the envy of the world, and the best system ever devised. It never brought us into trouble; and the longer we hesitate to get back to it, the longer will it be until confidence is restored, and prosperity returns.

Although we have gone far enough to destroy confidence and bring upon the country a terrible disaster, fortunately we have not gone so far that we need to do more than stop going farther. All that needs be done is to stop further purchases of silver. But to restore confidence thoroughly this should be done in obedience to an overwhelming public sentiment. The nation should give forth no uncertain sound; it must stand as free from a suspicion of a desire to debase the currency and as resolute to prevent its debasement as the governments of Great Britain and Germany stand. This done, the rapidity with which the country will return to prosperity will surprise even those who best know its unbounded resources. With the coming of the new year, at the latest, only traces will be left of the havoc made, and next year will be one of prosperity, with labor fully employed and the farmers prosperous because of the certain demand of Europe for our surplus agricultural products, owing to the poor crops there. You know that the world is blessed with many original authorities upon the subject of finance. I should like to submit to the leaders of the various schools of finance that all should unite and go so far upon a common road as to concur in the

stoppage of further silver purchases. You may not quite understand the idea of these various parties. There is first the bimetallist, which means a man who desires an international agreement for the use of silver as money upon a certain ratio to gold, so many ounces of silver to be taken by all nations for an ounce of gold. I should like to be allowed to suggest to him that the first step that can be taken in this direction is, to show other nations that, as long as they refuse to coin silver as money, the United States " can and will fight it out on this line " with them. That she can do so is certain, because she is a producer of gold, which not one of these other nations is, and has also the power to draw gold for her exports. The bimetallist should say to Great Britain, which has done most to depreciate silver: " You will not be permitted to succeed in your attempt to close the mints of India against silver, and place upon us the heavy burden of the silver product of the world." If, as the bimetallist assumes, the use of silver as money is essential for conducting the business of the world, it is not the United States that will find this out first. Britain, in India, will be the first to discover it and to suffer, and France and Italy, Spain and Swizerland and Greece, will all have to encounter the storm before it reaches us. These nations have simply ranged themselves hitherto behind the United States as behind a bulwark, and they can and will do this just as long as we continue to purchase and use as money nearly half the silver product of the world. Stop doing so, and see how soon you will be invited to a conference. The Republic has done the inviting recently, with results most humiliating to it. Suppose our bimetallist friends stop silver purchases and decide that the next invitation must come from Europe. They may not have to wait long.

Then we have the advocate of free coinage of silver, which means a man who wishes the Government to open its mints and give anybody who asks for it silver coined into money for all the silver in bars he offers. We suggest to him that since Britain has closed Indian mints to the coinage of that metal, and there remains not one government upon earth (except Mexico, which coins but a trifle) that has not done so, it is clearly impossible for the United States to coin, at the present ratio between gold and silver, which is 40 per cent. above the value of silver, the entire world's product, and not only the annual product but all the

silver with which India and other nations would now deluge us, since all their own mints are closed to silver coinage.

The attempt to do this would drive at once every dollar of gold out of circulation and land us in utter confusion. Free coinage of silver under present conditions, therefore, cannot be obtained. The nations which have thus closed their mints against the metal must be taught by experience that their action is unwise; that the use of silver as money is necessary for their prosperity. Most of these nations are carrying heavy loads of silver; loads far greater in proportion to their wealth than the United States is yet burdened with. Further reductions in the value of silver may finally shake confidence in France and in the other nations of the Latin Union, and especially may it shake confidence in India with its enormous stock of silver, to the coined portion of which the Indian Government has just undertaken to give twenty per cent. higher value than the market value to-day. The believer in the free coinage of silver, therefore, should rejoice to see silver fall for a short time to the lowest point, because the United States could stand this, and carry its present load upon the gold basis if it stopped buying more silver, even if silver fell to one-half of its present value. But what are India, France and the other nations of the Latin Union to do if such a fall comes. The true policy of the advocate of the free coinage of silver is to give to the nations that have discarded silver a good dose of their own medicine. There is no more reason why our country should embroil itself in the silver question than in the quarrels of Europe. It is not primarily an American but a European problem, which European nations must settle if we stand clear.

There is another silver party, that which favors coinage of silver upon an increased ratio to gold upon the basis of, say, twenty ounces of silver to one of gold, instead of fifteen and one-half ounces to one, as at present; it will occur to these people that substantially this basis having been fixed by Great Britain for India, a great step forward in the attainment of their policy has been taken. There is no doubt but that this step may have a great influence upon the use of silver hereafter as money. But the advocate of more silver being put into our dollar cannot shut his eyes to the fact that this gold value given to coined silver in India is accompanied by the closing of the mints of India to all

further coinage. If the United States were to adopt the British Indian standard for silver in relation to gold, and yet differ from Britain in coining silver upon this basis, the confidence of the world could not be regained as to the ability of the country to maintain the new ratio if undertaken by the United States alone and against the whole world. It is not time for such a step, nor will it be until the world has seen the value which silver is permanently to acquire and the leading nations agree to a ratio—20 to 1 may prove too much silver in relation to gold, and in that case, the dollars coined would rapidly disappear and go into the melting pot, and we should be left without silver currency, as was once the case before in our history. On the other hand, 20 to 1 may not prove to be enough. No one can tell, and never can tell until we stop the purchase of silver not needed by the Government, and learn after testing its value in the markets of the world for some time just what silver is intrinsically to be worth. Therefore the advocate of an increased ratio between gold and silver will find in the stoppage of purchases of silver for the present the first step in the direction in which he wishes to proceed.

There is yet another party—monometallists—who, of course, will support this proposed action, for these are men who believe that it is impossible to have two standards of value ; that it would be unwise for the United States to enter, even if it could, into any international agreement which rendered it responsible in any degree for the future value of any metal or anything whatever. They believe that as the United States is the principal gold-producing country, as it is the principal silver-producing country, we shall best promote our own interests by keeping ourselves entirely free, to adopt the metal which proves itself in the future most valuable and least variable as the metal to be used as money. Who can tell, these people ask, whether next year there may not be discovered such supplies of gold as will render silver the best metal for money, or that there may not be discovered another metal even better qualified than either gold or silver for money. The world has used many articles as money in its history. We know that silver became scarcer relatively to gold only seventy years ago, and that its value advanced in consequence. And what is to prevent its value advancing again ? No man can tell, or even venture to predict, the future value of either gold or silver.

Monometallists think we should take a lesson from the experience of the nations of the Latin Union. These agreed years ago upon a value in gold for silver, and now they find that silver has fallen to little more than one-half the value then placed upon it. Those who coined it freely have to pay the other nations of the Union in gold. But had gold been found in greater quantities than silver the position would have been entirely reversed. Whether the other leading nations of the world can afford to go forward without reference to the value of silver as compared with gold is, they admit, very doubtful. But there is no question as to the ability of the United States to do so. We have the advantage over other nations in this matter of gold and silver, because we are the chief producers of both, and have the power also to draw gold for the necessaries of life we furnish to other nations and which they must have. It would be a pity, indeed, to sacrifice this advantage. Such are the views of the monometallists.

Now I have given you a short account of all the schools of our brilliant financiers. You can think them over and choose the one you consider sound. As I never like to let anybody be in doubt as to my opinion about any public question, I wish you all to know that I believe the last school *is the right one for the United States.*

We have another silver party of stockholders in silver mines, who have no views except how to make the most out of their property, which is quite right. To these impartial minds—as far as the various schools of finance are concerned—may I suggest that it is already questionable whether the Government purchases of silver really tend now to steady and advance its value, more than the existence of such an immense amount of unused silver lying in one mass and constantly increasing serves to depress the market. The existence of a million tons of unused pig iron in the storage yards of Britain kept pig iron prices depressed for many years. It hung like a dark, heavy cloud over the market and effectually prevented recovery. I believe such is to be the ultimate effect upon silver of the unused mass held by the United States Treasury.

Even the silver-mine owners have therefore no great and decided interest in further purchases of silver by the Government, which can only add to the present stock of material lying in vaults unused

Various as you see the views of men are upon the subject of money, yet it is most fortunate that men of all opinions, I think, must see that one measure is common to all. Bimetallists, free-coiners, increased ratio advocates, monometallists have all to travel a certain distance in the same direction, which even silver-mine owners need not oppose.

After Congress has freed the Government from further purchases of silver and confidence has been fully restored, and the nation has returned to the career of prosperity which need never have been interrupted, it will then be in order, but not till then, for all parties to be heard and all views discussed. Nor need any one doubt but that the results which may soon show themselves in other countries, if we only keep still and watch, will show us our true path clearly and lead the people of the Republic to a wise conclusion.

There are rumors of changes to be proposed in the national banking system. We are threatened with a return to the issue of money by State banks. There is grave danger that there will be let loose upon the country many wild suggestions, every one of which will tend to create alarm and prevent recovery. Even if some of these are good and might work beneficially, their discussion at this time can produce nothing but evil.

The nation is in the condition of a man who has suddenly found himself beyond his depth, and is struggling in the water. This is no time to bring before him plans for a change in his conduct or mode of life, or in his diet, or clothing. The first and only business before Congress is to drag him ashore, place him where he was before, and let him quietly come to his senses.

Congress, which will have been convened ere these pages are read, should, therefore, pass a short act stopping silver purchases, and then adjourn and allow the attention of the country to be wholly given in peace, and free from exciting financial discussions, to the work of recuperation.

Should the country go further into the silver morass, then it may safely be predicted that all that has taken place to this date will be considered insignificent compared with the trouble yet to come. History teaches nothing more clearly than this—that no country can ever enjoy prosperity, if, in regard to its standard of value, confidence is lost.

ANDREW CARNEGIE.

II.—THE PRESENT CRISIS.

BY THE RIGHT HON. SIR JOHN LUBBOCK, BART., M. P.

THE recent action of the Indian Government and the probability of an alteration in the currency laws of the United States have again called attention to the present position of silver.

The English Government, acting under the advice of an able committee presided over by Lord Herschell, have assented to the change recommended by the Indian Government. What the effect of that change will be would under any circumstances be difficult to foresee, but there is still some doubt as to what the intentions of the Government really are. They have closed the Indian mints, but announced that they will give rupees for gold at the rate of a shilling and four pence. This they assume will keep the rupee approximately at that value. They have also announced their intention to "introduce a gold standard into India," but, inasmuch as rupees are still legal tender to any amount, and Mr. Gladstone stated in the House of Commons in answer to a question from me on July 21, "that it is not at present intended to issue gold against rupees," it is difficult to understand in what sense a gold standard can be said to be introduced.

In considering the problem presented by the American currency the first question is as to the likelihood of the introduction of general bimetallism. The United States Government has always, I think, attached too much importance to our action in the matter. The entrance of Great Britain into such a league would increase the demand for gold more than that for silver, because, while 38,000,000 of people in these islands would adopt partially a silver standard, 250,000,000 in India, who have now a silver standard, would adopt partially a gold one. Inasmuch however as, rightly or wrongly, so much importance is attached to our decision, it is well worthy of consideration what that action is likely to be. For my own part I must say that I see little probability of bimetallism being adopted by this country. Our currency is well adapted to our wants.

The arguments in favor of the change derived from the fluctuations in the Indian Exchange have led to, and in the opinion of the government and their able advisers, will to a great extent be met by, the closing of the Indian mints; while any

change in our standard, unless followed by our colonies, which seems unlikely, would lead to fluctuations in exchange between them and the mother country.

Another argument used by some supporters of bimetallism is the appreciation of gold, amounting, it is even said by some, to 30 per cent. This, I think, was a complete delusion. The fall in prices can be accounted for without any such hypothesis. There is hardly an article of commerce which cannot be produced and brought here far more cheaply than was formerly the case. In fact, peace and plenty, which proverbially go together, practically mean peace and cheapness. Now, however, we are told that the cheapness is merely nominal and that it is really the gold which is dear. There are other considerations which seem to me entirely to negative the idea of any such appreciation of gold as has been suggested.

At our recent Agricultural Conference it was shown from official figures that there had been a fall in the rental value of land, estimated in gold, since 1874 of 20 per cent. But if that be so, and gold has appreciated 30 per cent., what becomes of the agricultural depression ? Landlords would have nothing to complain of, for instead of a fall there would actually have been a small rise. Even if the fall has been more than 20 per cent., say 30 per cent., still, if gold has appreciated 30 per cent., the real diminution is small. My own belief is that there has been a real and heavy fall in rentals, but if so there can have been no such great appreciation of gold. Consequently any proposal to tamper with the currency founded on that argument falls to the ground.

This was also the view expressed in Lord Herschell's report. The Commissioners say that in their opinion "the greater part of the fall in the gold value of silver has been due to causes affecting silver rather than to causes affecting gold, and this conclusion fortifies, and is fortified by, the conclusion to which we have already come, that the fall in the gold price of commodities is in the greater part due to causes which affect those commodities rather than to causes which affect gold." It is not, however, incumbent on us to disprove the great appreciation of gold, but for those who believe in it to prove it ; and this they certainly have not done. Still it may be interesting to take a case in illustration. Much stress, for instance, has been laid on the fall in the price of wheat in our markets. Now, Mr. Atkinson has

shown that the cost and charges for the conveyance of wheat from the interior of America are 22 shillings a quarter less than they were 20 years ago. The average price of wheat for 1870–3 was 54 shillings, and if we deduct 22 this leaves 32 shillings. The average price for last year, certified in the *Gazette*, was 30 shillings, so that almost the whole fall is accounted for. Take, again, Indian wheat. Mr. Wells, in his valuable work on "Recent Economic Changes," points out that in 1881 the price in London was 42 shillings a quarter, and in 1886 31 shillings and six pence. Now, the difference in freight was six shillings and six pence a quarter; in the railway charges from, say, Cawnpore to Calcutta two shillings a quarter, and in the cost of bags, sixpence. Allowing, as we may, one shilling a quarter for loading and unloading, this practically accounts for the whole difference, and it is quite unnecessary to assume any substantial appreciation in gold.

I might go through other articles one by one. For instance, a ton of steel can now be made for half the labor and half the coal that were required twenty years ago.

On the whole, then, it seems that Lord Herschell and his colleagues were quite justified in their conclusion that the fall in the value of commodities was mainly due to economies in manufacture and in the cost of carriage, in the discovery of new processes and new sources of supply, and but slightly to any appreciation in the value of gold.

I now pass to the change proposed and must frankly say that I believe it to be utterly impossible to maintain a fixed ratio between two great articles such as gold and silver.

It has been said that the Babylonians and Egyptians did so. That was a long time ago, and I am not sure that we can accept the statement. At any rate Prof. Max Müller in the passage on which this statement is based says nothing of the kind. He said: "It has been shown that the ratio between silver and gold in the Egyptian coins was always maintained at 1 to 12½, while in Babylonia it was 1 to 13½." But it will be observed that this was the ratio between the silver and gold "in the coins." Of course that can easily be maintained. The difficulty is to maintain the ratio of value, and it will be observed that in this very passage the ratio is stated to have been, and no doubt was, different for the two countries.

Then we are told that the ratio was maintained in France up to 1874. But this was not so. The history of the French coinage from 1850 is very instructive and should be a warning to other countries. I am old enough to remember when there was an agio on the French gold. If one was travelling in France one had either to pay a premium to get gold, or to carry a cartload of silver. The coinage of gold in France fell, so that from 1841–5 it only amounted to £800,000. Then came the gold discoveries and in 1856–60 the French coined in gold the enormous sum of £108,000,000, while the silver coined fell in 1861-5 to £800,000. These tremendons fluctuations were of course most expensive and inconvenient. Neither did they as a matter of fact succeed in keeping the ratio stationary.

Lord Herschell's report pointed out :

"That from 1830 to 1845 the coinage of gold was almost replaced by that of silver, and from 1846 to 1865 that of silver again, to a great extent, by that of gold. The continuance for a few years longer of the conditions which prevailed up to 1845 would apparently have resulted practically in the entire cessation of gold coinage in France. Even as things were, the result led to the existence of an agio on gold coins."

Mr. Giffen has shown that in 1873, before the closing of the French mint, the ratio of silver to gold had fallen to 16 to 1. In fact it was their fall which compelled the Latin Union to close their mints.

If silver can be produced as we are told at two shillings an ounce does any body really suppose that it could be kept at a price of five shillings ?

Till the recent change we had a free coinage of silver in India, we have the bimetallic system of the Latin Union and the great coinage of silver in the United States. But if the United States, the Latin Union and India have not been able to maintain the price of silver, how can it be supposed that our joining them would make so great a difference ? Indeed it could make no appreciable difference unless a great part of our gold coin were driven out and replaced by silver. We have, however, already as much silver as we wish and no more gold than we want.

The total annual production of gold has fallen, while that of silver has risen from £8,000,000 to £28,000,000, or, if we estimate it at the old prices, to over £38,000,000. With such great fluctuations it seems to me impossible to maintain a fixed ratio,

especially as it must be remembered that a very large proportion of the gold and silver annually produced is used in the arts.

It has been said over and over again that, except Mr. Birch and myself, the gold and silver commissioners were unanimous in opinion that a ratio could be maintained. This, however, is quite a mistake. Lord Herschell's report distinctly stated that—

> "It seems probable that the most extended international agreement would lead from time to time to the existence of a premium on either the gold or silver coins."

The advocates of bimetallism pass very lightly over the question of the ratio to be adopted. But this is a matter of great importance. We understand that the Latin Union would agree to no ratio higher than 15½ to 1. But if we were to accept such a ratio we should, in fact, be buying a quantity of their silver at twenty-five per cent. more than its value.

I quite concur with bimetallists in wishing silver to continue in use both as coin and as a standard of value. It would be a misfortune if India or China were to adopt a gold standard. But when they speak as if silver had been excluded from its monetary privileges, they forget that the majority of mankind still use silver as the standard of value. We are monometallists, not as wishing the whole world to adopt gold, but as wishing each country to have an uniform standard.

For my part I deny that the plan proposed can reasonably be called bimetallism. It is monometallism with an option to the debtor. I always wonder that bimetallists have not proposed to make the legal tender in the last resort half gold and half silver. That would be real bimetallism; but what they propose is that one party to a contract should have the option of paying either in gold or silver. That surely is not fair. Of course, they would refuse and rightly refuse to give the creditor any such unfair advantage. But then how can they reasonably claim it for the debtor.

One advantage which has made London the centre of the business of the world has been confidence felt in our standard of value. Sir Robert Peel asked once a memorable question: "What is a pound?" Foreign countries know. Who can say what is a franc or a United States dollar? Parliament is all powerful in the eyes of the law. But if they adopted bimetallism all large or

permanent contracts would contain a clause providing for payment in gold, or perhaps in silver, but specifying which.

Mr. Van der Berg, who represented Holland, speaking of the Eastern trade with which he was long and intimately associated, told the Conference that

> "As to our (*i. e.*, the Dutch) foreign credits, they consist almost entirely of drafts on London and Berlin. Paper drawn on Paris and Brussels only constitutes a very insignificant amount; and why? Because we cannot be sure in advance that when our bills on Brussels and Paris fall due we shall be paid in gold, should circumstances induce us to ask for it, without submitting to a premium, to which we naturally object."

The investments of Great Britain in foreign countries are enormous and increasing. It is estimated that they bring us in £100,000,000 a year—one fifteenth of our total income, twice the rental of agricultural land. Surely, then, we should be very unwise to make an arrangement which would give foreign countries the option of paying us either in gold or silver—in silver if it continues to fall, in gold if fresh gold discoveries should make it cheaper than the ratio agreed on. We should indeed be unwise to agree to such a one-sided arrangement.

It is often said that bankers have special interest in raising the value of the standard. But this is quite a mistake. Bankers are both debtors aud creditors. The capital placed in their hands by depositors is lent out, and what their debtors owe them, they, in turn, owe to their customers. So far as their own capital is concerned, they are in the same position as anyone else who has any savings. Who are the bankers? Take the Bank of England. The amount of bank stock held by the directors is infinitesimal. It is held mainly either by insurance offices and other institutions, who again hold it for their shareholders, or by trustees, clergymen, widows and others who are content with a low rate of interest for the sake of good security. The working classes—not, of course, individually, bnt collectively—are the great capitalists. They own far more and their interest is far larger than that of bankers. Those who can be called great capitalists own a mere infinitesimal fraction of the property of the country.

On the whole then it seems to me very improbable that our countrymen will assent to the introduction of bimetallism.

I come now, in conclusion, to say a few words on the currency system of the United States. Much surprise has been expressed

that the silver certificates continue to circulate at the par value, notwithstanding that the silver against which they are issued is only worth about 70 per cent. It must be remembered, however, that the Secretary of the Treasury has announced the determination of the government to pay them in gold, irrespective of any fall in the value of silver. Moreover, if a country is increasing in numbers and in commerce, some increase in circulation is sure to follow; and so long as the issue of silver certificates did not exceed the increase which having regard to the state of trade, the country required, so long they would keep their value. It is possible that if circumstances, say, for instance, the repeal of the McKinley tariff, led to an improvement in the commerce of the United States, the issue of certificates might continue some time longer without evil effects. There are, however, indications that the limit has been reached. The following figures taken from the *Economist* of July 22 are very instructive :

VOLUME AND COMPOSITION OF THE CURRENCY OF THE UNITED STATES OUTSIDE OF THE TREASURY ON JULY 1:

	1893.	1891.
Gold coin	£80,727,000	£81,463,000
" certificates	18,594,000	24,013,000
Silver dollars	11,406,000	12,900,000
Subsidiary silver	13,080,000	11,644,000
Silver certificates	65,297,000	61,447,000
United States notes	64,175,000	64,266,000
Treasury notes	28,132,000	8,070,000
Currency certificates	2,387,000	4,375,000
National Bank Notes	34,946,000	32,444,000
	£318,744,000	£300,622,000

Moreover, the depletion of the stock of gold in the Treasury is even more significant. The total of gold in the Treasury has fallen from £64,300,000 in 1890, to £37,700,000 in 1893, and the net gold from £38,000,000, to £19,000,000. These figures certainly indicate that, though of course if the people of the United States think it desirable, they may continue the purchase of silver, still, any further issue of notes would, under existing circumstances, still further reduce the stock of gold.

At the same time the remedy is simple, and I see no reason for the gloomy forebodings which have been expressed. Good stocks have been very unduly depressed. The Stock Exchange runs too much into extremes. When things are prosperous,

people seem to think that the good times will last forever; and when depression comes, that good times will never return.

No doubt the fall in silver necessarily depresses silver securities, and there are many companies which are in a very unsatisfactory condition. But, so far as solid securities and well-managed companies are concerned, investors will do well to sit quietly and wait for better times.

JOHN LUBBOCK.